



Regulatory Circular RG12-037

To: Trading Permit Holders
From: Legal & Regulatory Services Divisions
Date: February 29, 2012
RE: Prefix Usage for SPX Combination ("Combo") Orders

The purpose of this Regulatory Circular is to remind SPX traders that for all SPX Combo Orders that are transacted, SPX traders are required to designate each of the component series of the order as being part of an SPX Combo transaction on all electronic execution systems, such as PAR Terminals, when submitting the trade to the Exchange for price reporting.¹ On PAR Terminals this is accomplished by selecting the "CMBO ENDORSE" button on the PAR Terminal.

1. When an SPX Combo Order is transacted, the prices of the component series will be reported to the trading floor and to OPRA using an indicator that identifies the trade as being part of an SPX Combo transaction. In that regard, CBOE recently fixed a system issue where SPX Combo transactions reported from PAR Terminals incorrectly contained a complex order indicator instead of the SPX Combo indicator. This system issue has been resolved and SPX Combo transactions should now appear as follows: On-floor time-and-sales displays will contain a prefix of "CMBB" or "CMBS", depending on whether the transaction is a buy or sell, respectively. The last sale that is disseminated to OPRA will contain an indicator of "Q." The SPX Combo indicator acts as notice to the public that the reported prices are part of an SPX Combo transaction and helps avoid investor confusion regarding out-of-range SPX prices.
2. As required by Rule 24.20, a Trading Permit Holder must be holding an SPX Combo Order when it is originally quoted. Orders must also be systematized in accordance with Rule 6.24 (the COATS rule).

The Regulatory Services Division will monitor trading activity for compliance with Rule 24.20. Among other things, executions not meeting the Rule 24.20 requirements may be considered violations of the SPX limit book and/or displayed market priority. For additional information, please refer to Rule 24.20 and Regulatory Circular RG07-06.

¹ An "SPX Combo Order" is defined in Rule 24.20 as an order to purchase or sell SPX options and the offsetting number of SPX combinations defined by the delta. (An "SPX combination" is a long (short) SPX call and a short (long) SPX put having the same expiration date and strike price). The "delta" is defined as the positive (negative) number of SPX combinations that must be sold (bought) to establish a market neutral hedge with an SPX option position. See Regulatory Circular RG07-06 for an explanation of Rule 24.20.

Questions regarding the PAR Combo Endorse feature may be referred to Jeff Short at 786-8410 or Monica Wiedlin-Torres at 786-7368.

Questions concerning this circular may be directed to the Regulatory Interpretations and Guidance Line at 312-786-8141.

(Updates RG07-06 and RG11-139)